



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

JOHN R. BAZA
Division Director

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January 11, 2008

David Penney
Penney's Gemstones, LLC
2400 East 30 South
P.O. Box 312
Beaver, Utah 84713-0312

Subject: Deficient Notice, Reclamation Surety and Reclamation Contract, Penney's Gemstones LLC, Sliver 3-4, M/001/057, Beaver County, Utah

Dear Mr. Penney:

On 08/21/2007, the Director of the Division of Oil, Gas and Mining signed the reclamation contract for the Silver 3-4 Notice of Intention to Conduct Mining, file number S/001/057. A copy of the executed reclamation contract/surety is enclosed for your records. This action has made it possible for your existing reclamation surety to be in place with the Division, however you should note that there are deficiencies either in your Notice of Intent or in your surety/bond amount that need to be rectified.

Right now the amount of surety/bond that is currently posted does not correspond with the on the ground disturbance which is 5.47 acres. Based on this on the ground information (see attached map), the Division has determined that you must post a surety in the amount of \$24,400. You currently have \$20,000 dollars allocated to this project, so please remit the additional \$4,400. We have also attached a copy of the letter sent to you on May 26, 2005, identifying your permitting inconsistencies and your non-compliance situation. Subsequent to your receipt of this letter you have mined and have not finalized the large mine permit. The Division will write a Cessation Order if you fail to complete the requirements as outlined in the letter.

We will expect the above stated amount to be filed with the Division within 30 days.

If you have questions or concerns regarding this letter, please contact me at (801) 538-5325 or Tom Munson at 538-5321. Thank you for your help in completing this very important regulatory requirement.

Sincerely,

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:tm:pb

Enclosure: Copy of reclamation contract/surety, 1 maps

cc: Bond coordinator

Larry_Garahana@blm.gov

ep7@xmission.com

opie_Abeyta@blm.gov

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Mine Permit Number 5/001/0057 Mine Name Sliver 3-4
Operator David Penney Date Sent / (Received) 08-21-08 apr 8-21-07
TO _____ FROM _____

☐ CONFIDENTIAL ☐ BOND CLOSURE ☐ LARGE MAPS ☐ EXPANDABLE
☒ MULTIPUL DOCUMENT TRACKING SHEET ☐ NEW NOI ☐ AMENDMENT
☐ OTHER _____

Description

Record Number

☐ NOI ☒ Incoming ☐ Outgoing ☐ Internal ☐ Superceded
MPRC 2007-0002

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ TEXT/ 8 1/2 X 11 MAP PAGES ☐ 11 X 17 MAPS ☐ LARGE MAP

COMMENTS: _____

CC: _____